



**NORTH CAROLINA RATE BUREAU**  
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June 21, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Dwelling Policy Program  
Inflation Cost Index

The Commissioner of Insurance has recently approved RSMeans CostWorks Valuator as an additional Inflation Cost Index to be used with the Dwelling Policy Program in North Carolina.

For your convenience, attached is a revised copy of the Inflation Cost Index Rule 407.B.3.(e) for use with the Dwelling Policy Program.

This change becomes effective in accordance with the following Rule of Application:

This change becomes effective with respect to all new and renewal policies written on or after June 13, 2005.

Please see to it that this circular is brought to the attention of all interested personnel in your company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dp

Enclosures

P-05-19

**407. AUTOMATIC INCREASE IN INSURANCE**

This rule is replaced by the following:

Does not affect coding.

**A. Automatic Increase in Insurance Endorsement – DP 32 11**

- 1. The policy may be endorsed to provide automatic annual increases in the Coverage **A**, **B** and **C** limits of liability. Apply a factor to the BASE PREMIUM as follows:

Amount of Annual Increase	Factor
4%	1.02
6%	1.03
8%	1.04
Each Add'l 4% over 8% add:	.02

- 2. The premium for a 3 year policy is 3.2 times the annual policy premium.
- 3. Use Automatic Increase in Insurance Endorsement **DP 32 11**.

**B. Inflation Guard Endorsement – DP 32 70**

- 1. The policy may be extended to automatically adjust the limit of liability applicable to Coverage **A** under the Dwelling Policy. This limit will be adjusted at the same rate as the change in the Index shown on the Declarations, billing notice or named on the form.
- 2. There is no additional charge for this endorsement. Companies electing to use this endorsement must use it exclusively and are required to notify the North Carolina Rate Bureau of their election.
- 3. The following Indexes have been approved by the Department of Insurance and may be used with the approved Inflation Guard Endorsement.
  - (a) Marshall & Swift Boeckh (MS/B) Residential Cost Index published by the American Appraisal Company, Inc.
  - (b) Composite Construction Cost Index published by the U.S. Department of Commerce.
  - (c) Consumer Price Index published by the U.S. Department of Labor.
  - (d) Marshall & Swift Boeckh (MS/B) Construction Cost Index published Marshall & Swift Boeckh (MS/B).
  - (e) RS Means CostWorks Valuator published by RS Means.
- 4. Use Inflation Guard Endorsement **DP 32 70**.

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